

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name: Township of Grosse Pointe	County Wayne
Audit Date March 31, 2006	Opinion Date June 1, 2006	Date Accountant Report Submitted To State: August 8, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): Plante & Moran, PLLC			
Street Address River Ridge Corporate Center, 19176 Hall Road, Suite 300	City Clinton Township	State MI	ZIP 48038-6915
Accountant Signature 			

Township of Grosse Pointe Wayne County, Michigan

**Financial Report
with Supplemental Information
March 31, 2006**

Township of Grosse Pointe

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Independent Auditor's Report

To the Board of Trustees
Township of Grosse Pointe
Wayne County, Michigan

We have audited the accompanying financial statements of the governmental activities and the General Fund (major fund) of the Township of Grosse Pointe as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Grosse Pointe's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the Township of Grosse Pointe as of March 31, 2006 and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedule, as identified in the table of contents, are not required parts of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related statements, as of April 1, 2005.

Plante & Moran, PLLC

June 1, 2006

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Township of Grosse Pointe

Management's Discussion and Analysis

Our discussion and analysis of the Township of Grosse Pointe's (the "Township") financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2006. Please read it in conjunction with the Township's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended March 31, 2006:

- Property tax revenue, our largest revenue source, decreased by approximately \$5,000 this year.
- Total net assets related to the Township's governmental activities decreased by approximately \$11,700. The unrestricted portion of net assets decreased by approximately \$10,900.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statement provides financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

Township of Grosse Pointe

Management's Discussion and Analysis (Continued)

The Township as a Whole

The following table shows, in a condensed format, the net assets of the governmental activities as of March 31:

	Governmental Activities	
	2006	2005
Assets		
Current assets	\$ 117,117	\$ 122,946
Noncurrent assets	5,436	6,272
Total assets	122,553	129,218
Liabilities - Current liabilities	47,730	42,685
Net Assets		
Invested in capital assets - Net of related debt	5,436	6,272
Unrestricted	69,387	80,261
Total net assets	<u>\$ 74,823</u>	<u>\$ 86,533</u>

The Township's combined net assets decreased 14 percent from a year ago, decreasing from \$86,533 to \$74,823.

Unrestricted net assets, the portion of net assets that can be used to finance day-to-day operations, decreased by approximately \$11,000 for the governmental activities. This represents a decrease of approximately 14 percent. The current level of unrestricted net assets for governmental activities stands at \$69,387, or about 21 percent of expenditures. This is within the targeted range set by the Township during its last budget process.

Township of Grosse Pointe

Management's Discussion and Analysis (Continued)

The following table shows the changes in the net assets during the current year. Prior year information is not available because this is the first year of the implementation of GASB Statement No. 34. Comparative data will be presented in future years.

	Governmental Activities
Revenue	
Program revenue - Charges for services	\$ 97,002
General revenue:	
Property taxes	189,465
Investment earnings	24,249
Miscellaneous revenue	911
Total revenue	311,627
Program Expenses - General government	323,337
Change in Net Assets	\$ (11,710)

Governmental Activities

The Township's total governmental revenues were approximately \$312,000. There was a decrease in miscellaneous revenue which was offset by an increase in investment earnings.

Governmental activity expenditures of approximately \$323,000 were recorded for the year. This included increases over the previous year for special projects and repairs and maintenance.

The Township's Funds

Our analysis of the Township's major fund begins on page 8, following the government-wide financial statements. The fund financial statements provide detail information about the General Fund, which is the only major fund for the Township for 2006. The General Fund pays for all the Township's governmental services.

General Fund Budgetary Highlights

Over the course of the year, the Township monitors and amends the budget to take into account unanticipated events during the year. There were no budget amendments during 2006.

Capital Asset and Debt Administration

At the end of 2006, the Township had \$5,436 invested in capital assets and no debt outstanding.

Township of Grosse Pointe

Management's Discussion and Analysis (Continued)

Economic Factors and Next Year's Budgets and Rates

The Township's budget for next year calls for a minimal increase in property tax rates, based on the rate of inflation. Because of the impact of Proposal A, however, the Township needs to continue to monitor its budget very closely. The state-wide Tax Reform Act limits growth in taxable value on any individual property to the lesser of inflation or 5 percent. Because some properties increase in value by less than inflation, the mathematical result of this is that the total taxable value for the Township will grow less than by inflation, before considering new property additions.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township office.

Township of Grosse Pointe

Statement of Net Assets March 31, 2006

	Governmental Activities
Assets	
Cash and investments (Note 2)	\$ 106,294
Taxes receivable	10,823
Depreciable assets - Net (Note 3)	<u>5,436</u>
Total assets	122,553
Liabilities	
Due to other governmental units	35,280
Deferred revenue	<u>12,450</u>
Total liabilities	<u>47,730</u>
Net Assets	
Invested in capital assets - Net of related debt	5,436
Unrestricted	<u>69,387</u>
Total net assets	<u><u>\$ 74,823</u></u>

Township of Grosse Pointe

Statement of Activities Year Ended March 31, 2006

			Net (Expense) Revenue and Changes in Net Assets
	Program Revenues	Charges for Services	Governmental Activities
Expenses			
Functions/Programs			
Governmental activities:			
Township board	\$ 6,600	\$ -	\$ (6,600)
Supervisor	7,200	-	(7,200)
Elections	1,902	-	(1,902)
Financial	15,100	97,002	81,902
Assessor	12,843	-	(12,843)
Clerk	86,409	-	(86,409)
General office	40,000	-	(40,000)
Commissions and boards	5,850	-	(5,850)
Treasurer	14,650	-	(14,650)
Hall and grounds	132,783	-	(132,783)
Total governmental activities	<u>\$ 323,337</u>	<u>\$ 97,002</u>	(226,335)
General revenues:			
Property taxes			189,465
Interest			24,249
Miscellaneous			911
Total general revenues			<u>214,625</u>
Change in Net Assets			(11,710)
Net Assets - Beginning of year			<u>86,533</u>
Net Assets - End of year			<u>\$ 74,823</u>

Township of Grosse Pointe

Governmental Fund Balance Sheet and Reconciliation of the Balance Sheet to the Statement of Net Assets March 31, 2006

	<u>General Fund</u>
Assets	
Cash and investments (Note 2)	\$ 106,294
Taxes receivable	<u>10,823</u>
Total assets	<u>\$ 117,117</u>
Liabilities and Fund Balance	
Liabilities	
Due to other governmental units	\$ 35,280
Deferred revenue	<u>12,450</u>
Total liabilities	47,730
Fund Balance - Unreserved	<u>69,387</u>
Total liabilities and fund balance	<u>\$ 117,117</u>
Total Fund Balance for Governmental Fund	\$ 69,387
Amounts reported for governmental activities in the statement of net assets are different because capital assets used in governmental activities are not financial resources and are not reported in the funds	<u>5,436</u>
Net Assets of Governmental Activities	<u>\$ 74,823</u>

Township of Grosse Pointe

Governmental Fund Statement of Revenue, Expenditures, and Changes in Fund Balance Year Ended March 31, 2006

	<u>General Fund</u>
Revenue	
Property taxes	\$ 277,301
Interest income	33,415
Miscellaneous	<u>911</u>
Total revenue	311,627
Expenditures - General government	
Township board	6,600
Supervisor	7,200
Elections	1,066
Financial	15,100
Assessor	12,843
Clerk	86,409
General office	40,000
Commissions and boards	5,850
Treasurer	14,650
Hall and grounds	<u>132,783</u>
Total expenditures	<u>322,501</u>
Net Change in Fund Balance	(10,874)
Fund Balances - Beginning of year	<u>80,261</u>
Fund Balances - End of year	<u><u>\$ 69,387</u></u>

Township of Grosse Pointe

Governmental Fund Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities Year Ended March 31, 2006

Net Change in Fund Balance - Total Governmental Fund	\$ (10,874)
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Amounts reported for governmental activities in the statement of activities are different because depreciation is recorded as an expense in the statement of activities but not in the governmental fund

(836)

Change in Net Assets of Governmental Activities	<u>\$ (11,710)</u>
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Township of Grosse Pointe

Fiduciary Fund Statement of Net Assets March 31, 2006

	<u>Agency Fund</u>
Assets - Taxes receivable	<u><u>\$ 123,841</u></u>
Liabilities - Due to other governmental units	<u><u>\$ 123,841</u></u>

Township of Grosse Pointe

Notes to Financial Statements March 31, 2006

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Township of Grosse Pointe (the "Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township of Grosse Pointe:

Reporting Entity

The Township of Grosse Pointe is governed by an elected five-member board. In accordance with accounting principles generally accepted in the United States of America, there are no component units to be included in these financial statements.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township (the primary government). Governmental activities are financed primarily by general property tax revenue.

The statement of activities demonstrates the degree to which the direct expenses of a given function (governmental activities) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Taxes and other revenue items properly excluded from program revenues are reported as general revenue.

Separate financial statements are provided for the governmental fund and the fiduciary fund, even though the latter are excluded from the government-wide financial statements.

The Township reports the following major governmental fund:

General Fund - The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. General Fund activities are financed by revenue from general property taxes and other local sources.

Additionally, the Township reports the following fund type:

Agency Fund - The Agency Fund accounts for assets held by the Township in a trustee capacity or as an agent for individuals or other organizations. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations.

Township of Grosse Pointe

Notes to Financial Statements March 31, 2006

Note 1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period, generally collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, charges for services, and interest. All other revenue items are considered to be available only when cash is received by the Township. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

Assets, Liabilities, and Net Assets or Equity

Cash and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Taxes Receivable - All property tax receivables are shown net of an allowance for uncollectible amounts.

Township of Grosse Pointe

Notes to Financial Statements March 31, 2006

Note 1 - Summary of Significant Accounting Policies (Continued)

Capital Assets - Capital assets, which include equipment, are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repairs and maintenance that do not add to the value or materially extend asset life are not capitalized. The Township does not have infrastructure-type assets.

Capital assets are depreciated using the straight-line method over the following useful lives:

Equipment	15 years
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Property Taxes - Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Township's 2005 tax is levied and collectible on December 1, 2005 and is recognized as revenue in the year ended March 31, 2006, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2005 taxable valuation of the Township totaled \$315 million on which taxes levied consisted of .5961 mills for operating purposes. This resulted in approximately \$188,000 for operating purposes. Amounts for this levy are recognized in the General Fund financial statements as tax revenue.

Construction Code Fees - The Township does not collect construction code fees pursuant to the State's Construction Code Act. Accordingly, no separate reporting of this activity has been reflected in the financial statements.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Township of Grosse Pointe

Notes to Financial Statements March 31, 2006

Note 1 - Summary of Significant Accounting Policies (Continued)

Accounting Changes

GASB Statement No. 34 - Effective April 1, 2005, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34 (GASB No. 34), *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related statements. Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

- A management's discussion and analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.
- Government-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the Township's activities have been provided.

Note 2 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Township is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township has designated one bank for the deposit of local unit funds. The Township is in the process of adopting an investment policy in accordance with Public Act 196 of 1997 authorizing investments in all investments permissible under Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) as listed above.

Township of Grosse Pointe

Notes to Financial Statements March 31, 2006

Note 2 - Deposits and Investments (Continued)

The Township's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At March 31, 2006, all of the Township's bank deposits (checking account and certificate of deposit), totaling approximately \$28,000, were insured and collateralized.

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices. As of March 31, 2006, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Bank investment pool	\$ 76,375	AAA	Standard and Poors

Note 3 - Capital Assets

Capital asset activity of the Township's governmental activities was as follows:

	Balance April 1, 2005	Additions	Disposals and Adjustments	Balance March 31, 2006
Capital assets being depreciated -				
Equipment	\$ 12,544	\$ -	\$ -	\$ 12,544
Accumulated depreciation - Equipment	<u>6,272</u>	<u>836</u>	<u>-</u>	<u>7,108</u>
Net capital assets	<u>\$ 6,272</u>	<u>\$ (836)</u>	<u>\$ -</u>	<u>\$ 5,436</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities - Elections	\$ 836
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Township of Grosse Pointe

Notes to Financial Statements March 31, 2006

Note 4 - Budgetary Information

The Township is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act). The following statements represent a brief synopsis of the major provisions of the Act:

1. Budgets must be adopted for the General Fund and Special Revenue Funds.
2. The budgets must be balanced. The balanced budget may include a contribution to or appropriation from fund balance.
3. The budgets must be amended when necessary.
4. Debt cannot be entered into unless permitted by law.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures cannot be made unless authorized in the budget.
7. Public hearings must be held before budget adoptions.

The Township adopts its budget by budgetary center (activity/department), which is in accordance with the State's legal requirement and is the level of classification detail at which expenditures may not legally exceed appropriations.

The Township follows these procedures in establishing the budget reflected in the financial statements:

1. On or before February 1, the Township supervisor prepares and submits to the Township board a complete itemized proposed budget for the next fiscal year.
2. A public hearing on the budget shall be held before its final adoption, at such time and place as the board shall direct, and notice of such public hearing shall be published at least 10 days in advance thereof.
3. The board shall, on or before March 1, adopt the budget for the next fiscal year.

Township of Grosse Pointe

Notes to Financial Statements March 31, 2006

Note 4 - Budgetary Information (Continued)

The annual budget is prepared by the Township supervisor and adopted by the Township board; subsequent amendments are approved by the Township board. Budget appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at March 31, 2006 has not been calculated. During the current year, there were no budget amendments. A comparison of the budget with statements of actual revenues and expenditures, including budget variances, for the General Fund is presented in the required supplementary information. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

Note 5 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township participates in the Michigan Municipal Risk Management Authority state pool program for claims relating to property loss, torts, errors and omissions, and personal injuries, and participates in the Michigan Municipal League risk pool for claims relating to workers' compensation.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The Michigan Municipal Risk Management Authority (the "Authority") state pool program also operates as a common risk-sharing management program. A portion of the excess insurance is underwritten by the Authority itself.

Note 6 - Shared Expenses and Elected Officials

The Township made the following payments to the Village of Grosse Pointe Shores for shared expenses for the year ended March 31, 2006:

Rent	\$	20,000
Insurance		20,000
Administrative services		138,000

Required Supplemental Information

Township of Grosse Pointe

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended March 31, 2006

	Originally Adopted Budget*	Actual	Variance with Budget
Revenue			
Property taxes	\$ 276,000	\$ 277,301	\$ 1,301
Interest income	14,000	33,415	19,415
Miscellaneous	1,000	911	(89)
Total revenue	291,000	311,627	20,627
Expenditures - General government			
Township board	6,600	6,600	-
Supervisor	7,200	7,200	-
Elections	-	1,066	(1,066)
Financial	15,000	15,100	(100)
Assessor	14,500	12,843	1,657
Clerk	87,700	86,409	1,291
General office	40,000	40,000	-
Commissions and boards	6,200	5,850	350
Treasurer	13,800	14,650	(850)
Hall and grounds	100,000	132,783	(32,783)
Total expenditures	291,000	322,501	(31,501)
Excess of Expenditures Over Revenue	-	(10,874)	(10,874)
Fund Balance - Beginning of year	80,261	80,261	-
Fund Balance - End of year	<u>\$ 80,261</u>	<u>\$ 69,387</u>	<u>\$ (10,874)</u>

* There were no budget amendments in the current year.



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June 1, 2006

To the Township Board
Township of Grosse Pointe
795 Lake Shore Road
Grosse Pointe Shores, MI 48236

Dear Board Members:

We recently completed our audit of the financial statements of the Township of Grosse Pointe for the year ended March 31, 2006. In addition to the audit report, we offer the following comments and recommendations for your review and consideration.

Internal Control

Segregation of duties is an essential component of a sound system of internal controls. When job responsibilities are properly segregated, a system of "checks and balances" is created, thereby reducing the risk of intentional or unintentional errors and/or omissions in the accounting records. Through our audit procedures, we noted the following internal control matters that we present for your consideration as part of the Township's process of continuous improvement:

- We noted that the finance officer receives the statements for all of the Township's bank and investment accounts, reconciles the accounts to the Township's records, and makes any required adjustments to the general ledger. The reconciliations are reviewed by the Township superintendent, which provides an essential layer of control in the reconciliation process; however, these controls could be strengthened with further segregation of duties, such as having another individual receive, open, and review the bank and investment statements before they are reconciled.
- Currently, the finance officer is responsible for preparing and posting journal entries into the general ledger software system. This accounting data is being processed with no apparent supervisory review. A supervisory review of the finance officer's work would add to the effectiveness of the controls and may detect errors in the preparation process that may otherwise go undetected.

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- The Township makes use of electronic wire transfers to effect various transactions. Currently, these transfers can be initiated and authorized by the finance officer without prior review or approval by a second individual. Though wire transfers are not used routinely, we encourage management to consider whether the review of monthly bank reconciliations provides sufficient control over electronic disbursements, given the immediate nature of these transactions. Controls over electronic transactions should typically mirror or exceed those controls over traditional disbursements (approvals by various individuals, board review, etc).

Other Accounting and Administrative Matters

- In today's business environment, transactions are initiated, processed, and stored electronically with greater and greater frequency. As the Township's accounting records are maintained almost entirely in computer systems, security over those records is of high importance, such as limiting access to data via passwords and physical security over data, including backup procedures. The Township's current procedures are that data systems are backed up twice a week and kept in the possession of an employee off-site. We would encourage management to review these procedures for adequacy, ensuring that data loss would be minimized in the event of a system failure or natural disaster. The Township should consider whether backups should be done more frequently or if a more secure means of storage would be appropriate.
- While informal procedures are in place for investing excess cash, the Township should consider adopting a formal investment policy. This policy should include a list of approved investments (i.e. bonds, certificates of deposits, investment vehicles, etc.), the percent of the portfolio that may be allocated to each investment type, and the minimum rating required for each investment. In addition, the policy should include the investment goals, such as the expected level of liquidity and return on investment. It is our understanding that the Township is in the process of adopting an investment policy.

Auditing Procedures Report

The Michigan Department of Treasury is in the process of updating the auditing procedures report. This report continues to be completed by your auditors and submitted annually, upon completion of the audit, to the State. In an effort to ensure fiscal responsibility and accountability, the State will be requiring auditors to address additional concerns as follows:

- Illegal or unauthorized expenditures
- Indications of defalcation, fraud, or embezzlement that was not previously communicated to the Local Audit and Finance Division (LAFD)
- Repeated management letter comments from the previous year
- Invoices paid prior to board approval
- Untimely preparation of bank reconciliations

We encourage management to review compliance with the above items to ensure a positive report to the State for future audits.

New Financial Statement Format (GASB No. 34)

As you are aware, the Governmental Accounting Standards Board (GASB) finalized its new financial statement reporting model which called for implementation by the Township for the fiscal year beginning April 1, 2004. This model brings significant changes to the reporting structure of the Township's financial statements. Since an audit of the Township is performed every other year, the March 31, 2006 financial statements will look dramatically different than the March 31, 2004 audited financial statements. While the financial statements retain an element of familiarity with the continued reporting of fund-based information, there are several additions and changes that provide information never before presented in the Township's annual financial report. A brief summary of the changes is as follows:

- **Management's Discussion and Analysis (MD&A)** - The MD&A provides a high-level overview of the Township's financial position and results of operations, with a focus on the government-wide financial statements.
- **Government-wide Financial Statements** - These additional statements adjust the normal fund-based statements into a combined, full-accrual format (similar to for-profit commercial enterprises). This allows a financial statement reader to see the Township from a longer-term, economic perspective (i.e., are today's taxpayers paying for today's services?). These statements show capital assets as part of the Township's overall financial picture.
- **Focus on Major Funds** - The fund-based financial statements now focus on the Township's most significant funds (designated as "major funds"). For the year ended March 31, 2006, the Township's major governmental fund is the General Fund.

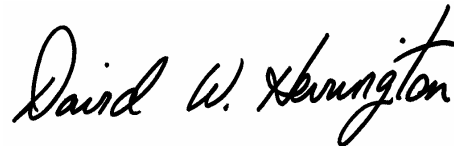
June 1, 2006

- **Budget Comparison** - A financial statement reader can now view a comparison of the Township's General Fund actual revenues and expenditures to the original and current budget.

We would like to thank you for the opportunity to serve as auditors for the Township of Grosse Pointe. We would also like to express our appreciation for the courtesy and cooperation extended to our staff by Rhonda and Mike during the audit. If you have any questions regarding any of the information noted above or presented in the financial statements, please feel free to call us at your convenience.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink that reads "David W. Herrington". The signature is written in a cursive style with a large, stylized 'D' and 'H'.

David W. Herrington

A handwritten signature in black ink that reads "Jenny L. Cederstrom". The signature is written in a cursive style with a large, stylized 'J' and 'C'.

Jenny L. Cederstrom